

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1020 - HB 870

February 20, 2013

SUMMARY OF BILL: Requires a bank to sell real property acquired to satisfy or protect a loan made by the bank within 10 years, and to write off 20 percent of the appraised value of the real property each subsequent year, if the property is held for over 5 years. Authorizes the Commissioner of the Department of Financial Institutions (DFI), in extraordinary circumstances, to adjust or waive the write-off, and extend the time period the property may be held beyond 10 years. Prohibits the property from being carried at more than the appraised value, if the Commissioner reduces, waives, or adjusts the write-off. Requires real property, which has been written off but not disposed of, to be maintained on the bank's books at some nominal value. Authorizes the bank, with approval of the bank's board of directors, to maintain real property on the bank's books as an investment. Requires the bank to obtain an appraisal by an independent, qualified appraiser, for fair market value of each parcel of real property owned, not more than 120 days before, or more than 30 days after, the parcel is acquired by the bank, and annually thereafter. Specifies the instances when an appraisal is required.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Under current law, a bank is required to sell real property acquired to satisfy or protect a loan made by the bank within five years, or a longer period of time as the Commissioner may authorize.
- Pursuant to DFI Rules, Chapter 0180-14, Regulations Pertaining to Other Real Estate, the Commissioner is authorized, upon written request by a bank, to grant the bank up to an additional five years to sell the real property, and the bank is required to write off 20 percent of the appraised value of the real property each year until the real property is sold or the maximum additional 5-year period has elapsed. Further, the Commissioner is authorized, under extraordinary circumstances, to reduce the write-off percentage or extend the holding period beyond the additional five years.
- Chapter 0180-14 of DFI Rules also requires that real property, which has been written off but not disposed of, be maintained on the bank's books at some nominal value. The bank is authorized, with approval of the bank's board of directors, to maintain the real property as an investment. Finally, the bank is required, except in certain instances, to obtain an annual appraisal from an independent, qualified appraiser on each piece of real

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property acquired within 30 days of the bank acquiring the real property and every 12 months thereafter.

- The provisions of this bill are consistent with the current DFI rules, except that a bank is not required to make a written request to the Commissioner to hold real property acquired by the bank to satisfy or protect a loan beyond the initial five-year holding period.
- As a result, any regulatory or fiscal impact to the state is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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